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25 January 1969

On file OMB release instructions apply.

**MEMORANDUM FOR: Deputy Director for Intelligence
Deputy Director for Plans
Deputy Director for Science and Technology
Deputy Director for Support**

Carl:

Attached is a copy of a letter to the Director from the Director of the Bureau of the Budget. It is self-explanatory. The thrust is quite clear--but no surprise.

The initial work on this review will be done by the Office of PPB. We will be in touch with you soon, however, to seek your assistance in being responsive to the Bureau, but do not delay your own review of your Directorate.

[Redacted]

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L. K. White

Attachment

Ltr dtd 23 Jan 69 to DCI fr D/BOB

cc: D/PPB

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EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

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JAN 23 1969

Honorable Richard Helms
Director of Central Intelligence
Central Intelligence Agency
Washington, D. C.

Dear Mr. Director:

Our new Administration must begin promptly to review the 1969 supplemental appropriation requests and the 1970 budget proposals placed before the Congress by the outgoing Administration last week.

This task is urgent and important. We must start now to redirect the Government's activities along the lines of our own objectives, reducing and removing programs where we can. The actions we take now can provide us with room in the 1971 and later budgets to introduce and carry out our own initiatives and proposals, room that would otherwise be seriously preempted by existing program and financial commitments if we are not watchful.

In view of the critical role of fiscal policy restraint in today's inflationary economic outlook and our continuing heavy financial requirements for military operations in Southeast Asia, we--like our predecessors--must now plan for

--extension of the income tax surcharge beyond its July 1, 1969 expiration date and

--a budget surplus for 1969 and 1970.

However, a prime objective of our Administration is the removal of the tax surcharge as soon as economic conditions and defense needs will permit. Your review of the 1969 supplemental and 1970 budget requests should therefore be guided by the general policy of holding all obligations, commitments, and expenditures to the essential minimum that is consistent with the continuation of that emergency surtax. More specifically, you should

--examine closely all program expansions and "new starts" proposed by the preceding Administration, and reduce or eliminate those of lower priority; for example, are there programs or parts of programs which could be postponed or eliminated

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without serious loss in view of today's priorities and demands on the budget?

--evaluate carefully the amounts proposed to meet those objectives you do regard as essential, to see if alternative methods can be devised at lower cost; we must aim to get the most value for every dollar spent and to prevent the waste of every dollar that can be saved.

--be especially alert to proposals which "lock in" commitments that would have to be met in future years; propose alternatives--including new legislation, if necessary--to close the "open-end" on items which would make future substantial increases in spending relatively uncontrollable.

--appraise the care with which program and spending plans have been formulated, and avoid committing us to "crash" projects; a temporary deferral of proposals until they have been carefully evaluated and planned can not only save money but can also result in an earlier and more effective accomplishment of objectives.

✓ --recommend redirections and, where necessary, budgetary additions to meet the highest priority purposes, but any such additions should at a minimum be offset by recommended reductions in lower priority activities.

--propose deferral of any major budget request about which you are doubtful or uncertain until you have had the time to get the necessary staff work done and clarify your own position.

✓ --maintain, for the time being, the 1970 budget assumption that the personnel appointment limitations required by Section 201 of P.L. 90-364 will not be effective beyond June 30, 1969; but please send me separately, and as promptly as possible, your views on this matter.

--aim in total for reductions in planned obligations and appropriation requests; most Americans expect us to be more careful and more frugal as well as more concerned, and we should not disappoint them.

✓ You are expected to translate these guidelines into proposals for specific revisions of the budget figures for your department or agency and to send them (4 copies) to this office in time for them to be received on or before February 24, 1969. Each budget request for which you are suggesting a change should be described briefly with a narrative explanation. The relevant

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figures should also be supplied, identified with and compared to the specific accounts and figures shown in your budget submission. A comparison should also be made with the obligations, reservations, or commitments (in total for each account) as shown in the 1970 budget estimates. A covering summary table for your entire department or agency should be prepared in the form of the enclosure.

Legislative proposals included in the 1970 budget totals for your agency (but for which the budget request is not yet technically before the Congress) should also be covered in your review and submission.

As part of the review of the 1970 budget requests, you should satisfy yourself that your agency can and will live within the 1969 expenditure limits established by the Bureau of the Budget pursuant to Section 202 of the Revenue and Expenditure Control Act of 1968 (P.L. 90-364). Further, you should make every effort to begin program redirections and expenditure reductions during the next five months so that a quick start can be made toward the objectives of our Administration. Hopefully, the new 1969 spending totals will be below the previously established limits. Such spending reductions, however, should be real cuts, and should not be obtained by temporary deferrals which would have to be restored and thereby raise the spending level for fiscal year 1970.

As you know, the proposed FY 1970 budget does not provide funding for continuation of Radio Free Europe and Radio Liberty. Funding for these activities should be addressed separately on their merits within the context of this letter.

The recommendations you make in response to this letter, like all other budget estimates, are in the nature of advice to the President, and are highly confidential prior to the time the President has acted formally thereon.

I shall communicate your proposals and my recommendations to the President and advise you of his views. At that time I expect to ask you to have formal budget amendments prepared for the President to transmit to the Congress in accordance with law and established procedures and the currently expressed wishes of the Chairman of the House Committee on Appropriations. In the meantime, following your submission, my staff may contact your budget officer and staff to arrange for discussions of your proposals.

Sincerely,

Robert P. Mayo

Robert P. Mayo

Director

Enclosure

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SUMMARY - 1970 BUDGET REVISIONS
(Department (or Agency))
(Amounts in thousands)

(Date) _____

<u>Bureau (or Service) and account</u>	<u>Pending 1969 Supp. or 1970 Budget estimate</u>	<u>Recommended change (+ or -)</u>	<u>Amended estimate</u>
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(In the stub column, list 1969 supplemental items first, followed by 1970 items. For each item, show:

Organizational unit

Budget authority (NOA and IA)
Obligations
(Commitments or reservations, if these
are more relevant than obligations)
Outlays (EXP and NL)